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WEEKLY SUMMARY

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H I G H L I G H T S

The long-stalemated Indonesian dispute was brought sharply before the world's attention on 18 December when the Dutch undertook precipitate military action. Although Dutch forces have taken without much difficulty all the major cities in Java, Republican military resistance now appears to be developing in non-urban areas (see page 14). Meanwhile, the UN Security Council's weak resolution on the problem threatens not only to bring discredit to the UN but also to undermine the prestige of the western powers in Southeast Asia (see page 14).

In China, the scene of major military activity has shifted from the Hsuchou-Nanking area to North China (see page 16 and map). In the political realm, the possibility of a Nationalist-Communist coalition government was reduced last week by the action of the Chinese Communist Party in including in a list of "war criminals" held "worthy of death" nearly all the present Kuomintang political and military leaders (see page 15).

Fighting broke out again in Palestine last week when the Israeli army resumed the offensive in the Negeb (see page 11). This action, undertaken in defiance of the UN truce, indicates that the Israeli Government has no fear of possible UN counteraction and will probably undertake to drive all the Arab armies out of Palestine unless the UN can compel Israel to recognize its authority. Meanwhile, the assassination of Egyptian Prime Minister Nokrashy appears to have been largely impelled by domestic political differences and not directly connected with the Palestine situation (see page 13).

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WESTERN EUROPE

Non-Communist labor The intensified struggle between Communist and non-Communist labor in countries receiving ECA aid, particularly in France and Italy, indicates that the Communist labor organizations enjoy certain marked advantages in organizing the labor forces of these countries. For the present, at least, they are able to draw upon greater reserves of money, "hard core" trained organizers, and newsprint and office supplies. These advantages are attributable in large measure to the demonstrated ability of the USSR to furnish both open and covert aid to those labor and political organizations which it regards as strategic instruments of its foreign policy. During the French coal strike, Soviet and Satellite trade unions openly raised and made available to the striking CGT miners steadily mounting sums in French francs. Besides such open aid channels, the USSR reportedly has had at its disposal the Banque Commerciale pour l'Europe du Nord, as well as outwardly legitimate commerical firms in France and Switzerland through which it can siphon funds to Communist unions. In contrast, the non-Communist national labor organizations, such as the French Force Ouvriere and the Italian LCGIL, receive only limited financial assistance from the free trade union movements of the Western Hemisphere. This disparity between the foreign support received by the non-Communist and Communist labor forces in western Europe has been an important factor in the retarded capabilities of the western-oriented trade unions for resistance to Communist-sponsored strikes and sabotage of production. Whenever the next major Communist blow at the European recovery program is launched, material assistance from Soviet and Satellite sources will be on an even larger scale.

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FRANCE

Budget Prospects The Queuille Government has a fair chance to survive the current parliamentary debate over the 1949 budget. After much political maneuvering in the Assembly, the Third Force groups (Socialists, Popular Republicans and Radical Socialists) have composed their differences. The Assembly-approved bill is now before the Council, which will probably approve it in somewhat revised form by a very narrow margin. If the Council should reject the bill, the Assembly may be expected to override the Council despite strong Communist and Gaullist opposition. Under the prospective budget law, financial equilibrium will probably be sought by increasing revenues rather than by decreasing expenditures. The general difficulties of collecting revenues in France, however, make it unlikely that the new law will eliminate the critical budgetary deficit, although international developments during 1949 may come to the rescue of French finances. Possible curtailment of French modernization outlays would reduce the deficit and a better world food situation would tend to offset the inflationary effects of any remaining deficit. Such considerations may further strengthen the determination of Third Force leaders, who have already been encouraged by the Government's recent victory in the coal strike and prospects for an acceptable solution to the Ruhr problem, to stay in power and to avoid a showdown at this time.

GERMANY

Provisional Constitution The desire of the Germans to be free from present occupation controls has impelled them to procrastinate in creating a provisional constitution for western Germany in the hope of obtaining more liberal terms. Despite US and UK pressure for a

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provisional German constitution, the two major parties in the Bonn Parliamentary Council (Christian Democrats and the Socialists) are bickering with each other and delaying enactment of the constitution in the hope of forcing the occupation powers to publish an occupation statute which would define the legal status of the Germans with respect to the occupying powers. The provisions of the occupation statute now under consideration would probably prove unpalatable to the Germans, and publication of the statute would cause the major parties in the Bonn Council either to delay constitutional discussions indefinitely or even to dissolve the Council. German officials would be motivated in taking such a course by a fear of future charges of "collaboration," as well as by their desire to liberalize occupation controls.

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EASTERN EUROPE

SOVIET UNION

Austrian Treaty Soviet willingness to resume four-power discussions on the Austrian peace treaty may be accompanied by a more conciliatory attitude in an attempt to achieve an early settlement. Prospects have improved for a Soviet compromise on the major points of disagreement which were not resolved during the last conference. The USSR may ostensibly champion the Yugoslav people by initially supporting Yugoslav territorial claims, in order to strengthen the Soviet bargaining position with the West. Because of the Tito-Stalin rift, however, it is unlikely that the USSR will wish to break off negotiations over this issue. Moreover, the Kremlin may now consider that: (1) a rehabilitated Austria could serve as a bridge over which needed western materials and machinery could flow to the USSR; and (2) despite the calculated risk of quadripartite withdrawal, an "unoccupied" Austria may be more susceptible to Communist infiltration. These considerations may impel the USSR to adopt a more reasonable approach to the thorny question of external German assets in regard to both the lump sum to be paid by Austria to the USSR for restoration of German external assets and the amount and type of properties to be turned over to the USSR. The achievement of a reasonable compromise would also strengthen Soviet propaganda claims that the USSR is leading the world effort to further peace. Consequently, as long as the Kremlin considers it possible to reach an Austrian settlement, the USSR is unlikely to initiate strong measures which would disrupt the present quadripartite administration.

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POLAND

Communist Split Dissension within the Polish Communist Party, dormant for some time, was brought dramatically into the open recently when President Beirut denounced a speech in which Vice Premier Gomulka departed from the orthodox Kremlin line and expounded his own definition of internationalism. Gomulka defied the Cominform Communists in a speech before the Socialist-Communist merger congress barely four months after he had been publicly castigated for "nationalist deviation" by the Kremlin itself. His actions indicate that the split in the Polish Communist Party has not yet been repaired and that Gomulka believes he has sufficient support within the Party to defy the Cominform. Nevertheless, the series of government reorganizations expected after the Socialist-Communist merger will probably be used as a convenient pretext for gradually eliminating Gomulka from public life.

GREECE

Guerrilla Attacks The strong guerrilla attack on Kardhitsa, a provincial capital in Thessaly, cost the guerrillas heavy casualties but demonstrated once again both the Greek Army's weakness in intelligence and planning and the skillful employment by the guerrillas of available men and weapons. Although the guerrillas presumably have the capability for inflicting similar punishment on other towns in the plains, their ability to continue to absorb such heavy casualties is problematical. Nevertheless, other spectacular guerrilla attacks will probably be made from time to time. Moreover, sabotage will probably increase in the cities, where the militant Communist effort has lagged behind that in the mountains. Rebel saboteurs reportedly are now infiltrating the cities to bolster the local Communist organizations in carrying out assassinations and other terroristic acts.

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EUROPEAN ECONOMIC DEVELOPMENTS

Italo-Yugoslav Talks The recent Italo-Yugoslav agreement to open negotiations on currently outstanding differences between the two nations represents the most tangible move thus far by Tito toward improving relations with the west. Although all of the issues are long-standing and each is relatively unimportant within the fabric of over-all east-west relations, their sum total probably indicates a desire by Tito to clear the way for more comprehensive negotiations with Italy in which economic considerations will play a major part. The projected discussions on Italian reparations and compensation by Yugoslavia for confiscated Italian property may be used by the Yugoslavs to introduce the question of expanded trade relations. Despite these expected economic overtures, Tito will not make a hasty entrance into the western camp. Tito's rebellion, beclouded by Marxian dialectics and extraneous factors, was directed primarily against Soviet domination rather than against Communism as such. His rule in Yugoslavia rests squarely upon the Yugoslav Communist Party and he will avoid offending the ideological sensitivities of his Communist followers. Any Yugoslav relations with the west, therefore, can be expected to develop slowly and with major emphasis upon purely economic considerations.

Soviet-Italian Trade The trade and reparations agreements recently concluded between Italy and the USSR will provide economic benefits to Italy and generally increase the prestige of the De Gasperi Government at home. Soviet orders under the trade agreement will increase Italian production in the shipbuilding, machinery, and equipment industries. In addition, Italy is scheduled to receive from the USSR, without drain on Italian dollar reserves, the raw materials needed for this increased industrial production. The 400,000 tons of grain which the USSR has contracted to send

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to Italy yearly, coupled with projected imports from Rumania, will comprise about one-third of Italy's annual import requirements for that commodity. Purchase of this grain from other sources would probably have constituted a drain on Italy's hard currency supply. Politically, the De Gasperi Government has improved its position in two ways. It can take credit for providing employment in several of Italy's major industries and it can also counter the Communist propaganda claim that the present Italian Government is a captive of the western powers. Although the ordinary problems of arranging for manufacture and shipment of the products to be delivered to the USSR may preclude full attainment of the exchange goal within the allotted time, Italy stands to benefit substantially from the trade agreement.

Belgian Unemployment The problem of Belgian unemployment, which has been increasing rapidly during the past two months, is causing grave concern to the Spaak Government. Unemployment has risen from 44,000 in September 1947 to approximately 200,000, about 8% of the working population. Unemployment is highest among the Antwerp dockworkers, with 40% out of work because transshipments to and from Germany have not yet returned to prewar levels. Also heavily hit are textile, glass, leather, and metal products industries, largely because of the shortage of Belgian francs among Belgium's European trade partners and the high prices of Belgian consumer exports. The sharp increase in unemployment presents the Government with the immediate financial problem of the dole, which may prove a considerable burden. An even more serious consequence will be the greater opportunity afforded the Communists for regaining some of their influence by exploiting the increased anxiety and discontent which will result from the increased unemployment.

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German Steel Smuggling — Large-scale smuggling of steel products from the Ruhr into the Soviet Zone threatens, by materially assisting the Soviet Zone economy, to impair the effectiveness of the counter-blockade established by the western powers. This clandestine trade in steel goods, apparently being conducted partly under the direction of the Soviet Military Administration (SMA) and partly by independent German traders, comprises a large share of the illegal inter-zonal traffic. The SMA has approximately 18 million west-marks (roughly equivalent to $1 million) available in the western zones for such purchases. In November 1948, the SMA reportedly obtained 99 tons of alloy pipe from a German manufacturer in the Ruhr. This pipe, in critical short supply in the Soviet Zone, was used to maintain the boiler equipment of the Leipzig power plant which produces much of the power for the Soviet Zone. Any increase in such illegal traffic will weaken the bargaining position which the western powers have sought to maintain by their counter-blockade.

Czecho-Soviet Pact — Strengthened Soviet control over the declining Czechoslovak economy will probably result from the recently-concluded discussions in Moscow between top-level Soviet and Czechoslovak officials. Under the terms of the agreement, the USSR will promote the development and recovery of the Czechoslovak economy by nearly doubling mutual exchange of commodities in 1949, widening technical "cooperation," and granting a $200 million gold and hard currency loan. These Soviet promises reflect the importance which the Kremlin attaches to Czechoslovakia as a supplier of finished goods and as an intermediary in world markets. Czechoslovakia's present economic difficulties were largely caused by an increase in unprofitable eastern trade and a corresponding decrease in traditional and lucrative exports to the west. In addition, the continued necessity of importing western raw materials for manufacturing

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goods exported to the USSR also contributed to the depletion of Czechoslovakia's hard currency exchange. The Soviet loan will facilitate Czechoslovak purchases of needed raw materials and industrial equipment from the west largely for the benefit of the USSR. Although some gains are bound to accrue to Czechoslovakia, the further orientation of its economy toward the Soviet Union will make Czechoslovakia even more dependent upon the Kremlin.

Polish Shipbuilding Despite the acquisition of former German shipyards, realization of the ambitious Polish plan to construct 269,000 deadweight tons of merchant shipping by 1955 is doubtful in view of certain deficiencies in the postwar economy of Poland. Before the war, Poland depended upon foreign shipyards for most of its ocean-going tonnage. The former German yards at Danzig and Stettin--about 75% destroyed through allied bombings and Soviet dismantling--have been largely repaired and have permitted the Poles to expand shipbuilding activities. For example, in addition to the construction and repair of small coastal and fishing vessels, the Poles recently launched an ocean-going vessel of 3,200 deadweight tons and several steel fishing cutters. Five ore and coal carriers of 2,500 deadweight tons are scheduled for completion within the next few months. Nevertheless, attainment of the Polish shipbuilding goal by 1955 will be retarded by: (1) East-West trade barriers which will prevent Poland from obtaining much-needed heavy machinery and other equipment; (2) a serious shortage of steel plate; and (3) the lack of a skilled labor force.

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NEAR EAST - AFRICA

PALESTINE

Renewed Hostilities The Israeli Army, in defiance of the UN truce, has resumed its offensive against the Egyptian forces in the Negeb and can probably isolate them or drive them back across the Egyptian frontier within a week or two. Desultory firing has taken place on the central Iraqi front, but the cease-fire between Israeli and Transjordan Arab Legion forces in the Jerusalem area remains unbroken. By this newest offensive, Israel has demonstrated that it is not prepared to endure a state of half peace and half war indefinitely and that it has no fear of possible counter action by the UN. Unless, therefore, the UN can compel Israel to recognize its authority, the Israelis will probably drive all the Arab armies from Palestine--except in the unlikely event that the Arab governments are willing to negotiate with Israel on Israel's own terms.

IRAN

Persian Gulf Oil Current efforts to solve the technical question of sub-sea mineral legal rights in the Persian Gulf may stir up repercussions in Iran. At the request of Saudi Arabia and commercial oil companies, which urgently desire a prompt delimitation of offshore rights, US and British officials have worked out an apparently equitable solution by which littoral states would have jurisdiction over sub-sea rights up to a median line. The line would run the length of the Gulf and its exact position would be defined by agreement among the interested governments. The chief difficulty arises over the procedure for effecting such an arrangement. If Iran's consent is required before any formal

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IRAN

action can be taken, it is probable that Iranian objections and procrastination will prolong the negotiations. On the other hand, if the plan is put into effect through a unilateral Saudi Arabian proclamation of claims, with Iran given no real opportunity to pass on the matter beforehand, there will probably be an outburst of Iranian nationalist indignation. Although the Saudi draft proclamation states that present sovereign rights and claims are not affected, the proclamation would undoubtedly cause Iran to revive its claim to the Bahrein Islands, on the Arabian side of the Gulf. Such a proclamation would also stimulate Iranian cries of US-British imperialism, thus indirectly assisting the Soviet propagandists and perhaps interfering with renewal of the US military mission agreement with Iran.

INDIA-PAKISTAN

Kashmir Peace Plan — A peaceful solution of the Kashmir problem at last appears likely, in view of the reported acceptance by both India and Pakistan of the 11 December proposals of the UN Commission for India and Pakistan (UNCIP). These proposals supplement the original UNCIP plan of 13 August by meeting Pakistan's bjections that the final disposition of Kashmir be in accordance with the wishes of Kashmir's inhabitants. The new plan provides that the original cease-fire and truce arrangements be followed by a state-wide plebiscite, to be conducted under the direction of a UN plebiscite administrator under specified conditions designed to assure all Kashmiris of a free choice between accession to India and accession to Pakistan. Even though the means are now provided for a peaceful and permanent solution of the problem, considerable restraint will have to be exercised by both sides in the period which will elapse before the appointment of the UN administrator and the holding of the plebiscite. Completion of the proposed plebiscite will probably require at least one year.

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INDIA-PAKISTAN

Inter-dominion Conference The successful outcome of the inter-dominion conference which ended 14 December indicates that if the Kashmir problem is satisfactorily settled, there remains no real barrier to effective cooperation between India and Pakistan. Although only matters of secondary importance were discussed at the conference, a substantial measure of agreement on financial, economic, and refugee problems was attained, together with a material reduction of points of friction between the two countries.

EGYPT

Nokrashy Assassination The assassination of Prime Minister Nokrashy Pasha, reportedly by a member of the intensely nationalistic Ikhwan (Moslem Brotherhood), probably resulted from Nokrashy's recent imposition of stricter security measures, including the outlawing of the Ikhwan. The government formed by Nokrashy's successor will be chosen from the same two parties represented in the old coalition, and there will be no immediate change in Egypt's internal or external policies. Since, however, Nokrashy was one of the chief obstacles to a rapprochement with the UK, his death may ease the way toward a resumption of the Anglo-Egyptian treaty talks.

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FAR EAST

INDONESIA

Indonesian Resolution The weak Indonesian resolution adopted last week by the Security Council will not only further discredit the UN but will tend to undermine the prestige of the western powers in Southeast Asia. The SC deleted from the US-Syrian-Colombian proposal the vital paragraph calling upon both parties to withdraw to the original truce lines. The innocuous resolution finally adopted was a virtual green light to the Dutch and seems to have been so interpreted at The Hague, which is now pushing "police action" to its conclusion. Among other consequences, the Security Council's failure to give more than an equivocal answer to the complaint of the Indonesian Republic will: (1) stimulate the formation of an Asiatic bloc of nations which will oppose the Far Eastern aims of the western powers; (2) encourage Asiatic extremists to argue that the US is so tied to the old imperialist powers as to be unable to do more than temporize on colonial issues; and (3) strengthen revolutionary-Communist programs in their appeal to indigenous populations and at the same time undercut the programs of the moderates.

The USSR and the Ukraine, by abstaining from support of the three-power proposal on the ground that it did not go far enough, succeeded in preventing the SC from taking effective action. Nevertheless, the Slav abstentions would not have accomplished their purpose if it had not been for the short-sighted stand taken by Belgium and France, and more surprisingly by Argentina and Canada. The ineffectual result of these Council deliberations is certain to provide materials for Soviet propagandists and policy makers.

Republican Resistance Although Dutch forces now occupy all the major cities in Java, Republican military resistance appears to be developing in non-urban

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areas. The strength of the regular Republican Army was estimated at 100,000, with seven of its divisions in Java and three in Sumatra, and it is probable that a substantial proportion of these forces will eventually emerge as small guerrilla bands. Because most of the ranking military and political leaders were captured by the Dutch at the beginning of the action, it will be some weeks before Republican nationalists will be able to organize an effective campaign against Dutch installations.

Pro-Republican sources in Indonesia believe that the Republic is withholding application of its most effective weapon, the "scorched earth," until the UN Security Council has made its final decision. Republican elements, however, have already resorted to a limited scorched-earth policy by firing the oil center at Tjepoe before it fell to Dutch troops and by destroying many bridges in the line of the Dutch advance.

Meanwhile, there are indications that various attempts are being made to set up emergency Republican regimes outside Java. Economics Minister Sjafroeddin Prawiranegara is somewhere in Sumatra acting for an emergency government, and former Vice Premier A. K. Gani is reportedly heading a military government in south Sumatra. Republican leaders Soekarno, Hatta, and Sjahrir have apparently been removed from Jogjakarta to Batavia by the Dutch who are now attempting to persuade these Republicans to join the Dutch-sponsored interim government. Republican representatives outside Indonesia, with headquarters at New Delhi, are consolidating their strength and resources.

CHINA

Nationalist "war criminals" The list of Chinese Nationalist "war criminals" recently issued by the Chinese Communist Party has reduced the possibility of a Nationalist-Communist coalition government. The

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CHINA

Communist list of 43 Nationalists held "worthy of death" includes nearly all the present Kuomintang political and military leaders, among them Chiang Kai-shek, T. V. Soong, Premier Sun Fo and the most important members of his cabinet, and all top Nationalist military commanders, as well as minority party leaders now included in the National Government. Although the Communists may still invite certain Nationalist functionaries not on this list to become members of a "coalition" government, this list of "war criminals" indicates that the Kuomintang as a party will probably be excluded from such a coalition. Such a government would therefore contain no significant political groups other than the Communist Party and those minority parties and groups already estranged from the National Government.

Military Situation The focal point in China's civil war last week shifted to North China where the rapidly moving Communist columns of Lin Piao and Nieh Jung-chen succeeded in segmenting and compressing the supposedly powerful Nationalist armies of Fu Tso-yi into the environs of Kalgan, Peiping, and Tientsin. As a consequence of this, Fu executed a "strategic withdrawal" from Kalgan, thereby closing the door to his escape route west into Suiyuan. Fu's 300,000 troops are badly outnumbered by Communist forces recently supplemented by Manchurian arrivals to total approximately 550,000. Fu is reportedly further weakened by the refusal of Government troops recently assigned to him--including most of the Peiping and Tientsin garrisons, and the Chinese Air Force--to obey his orders. Hence, Fu has withdrawn inside the city walls of Peiping, perhaps on the assumption that the Communists cannot shell the ancient city without risking strong popular condemnation. At present, the Communists have rendered both of the Peiping airfields inoperable and have seized the city's major source of electric power. Other Communist

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forces moving south along the corridor from Manchuria have taken the Kailan mines and Tanku harbor (the only Nationalist seaport for the Peiping-Tientsin area), and have surrounded Tientsin. Inasmuch as Tientsin's airfield has been lost and overland traffic with Peiping cut off, this important North China industrial center will fall to the Communists soon. In relatively quiet Central China, the Communists have virtually finished mopping up the isolated Nationalist units between the Huai River and Hsuchou. Other Communist forces are currently moving south toward the Huai River area and forcing the Nationalists to withdraw all but two armies south from Pangfou and the Huai River front to the banks of the Yangtze. Meanwhile, Communist columns northwest of Hankow are engaging troops of Pai Chung-hsi in minor skirmishes in order to prevent his reinforcing the Nanking area.

New Cabinet Although the new Chinese cabinet headed by Sun Fo was selected by Chiang primarily to implement his determination to resist the Communists with every available resource, the possibility exists that some cabinet members will attempt to work out a compromise by throwing the entire matter into the international arena. Such an action by cabinet leaders (or by a successor to Chiang) would serve to strengthen the relatively weak bargaining position of the National Government by shifting the onus for continuing the war to the Communists, who have built their entire propaganda structure on the basis of their battle for lasting peace. Possible courses of action by Nationalists include proposals for some form of mediation or diplomatic intervention by the UN, the US, the USSR, or by joint US-USSR action. Also, an appeal could be directed to the signatories of the Moscow Declaration of 1945 (the US, UK, and USSR) or to the permanent members of the Security Council. Any such diplomatic peace offensive by the National Government would

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CENTRAL AMERICA-CARIBBEAN: POWER BALANCE

PROVISIONAL

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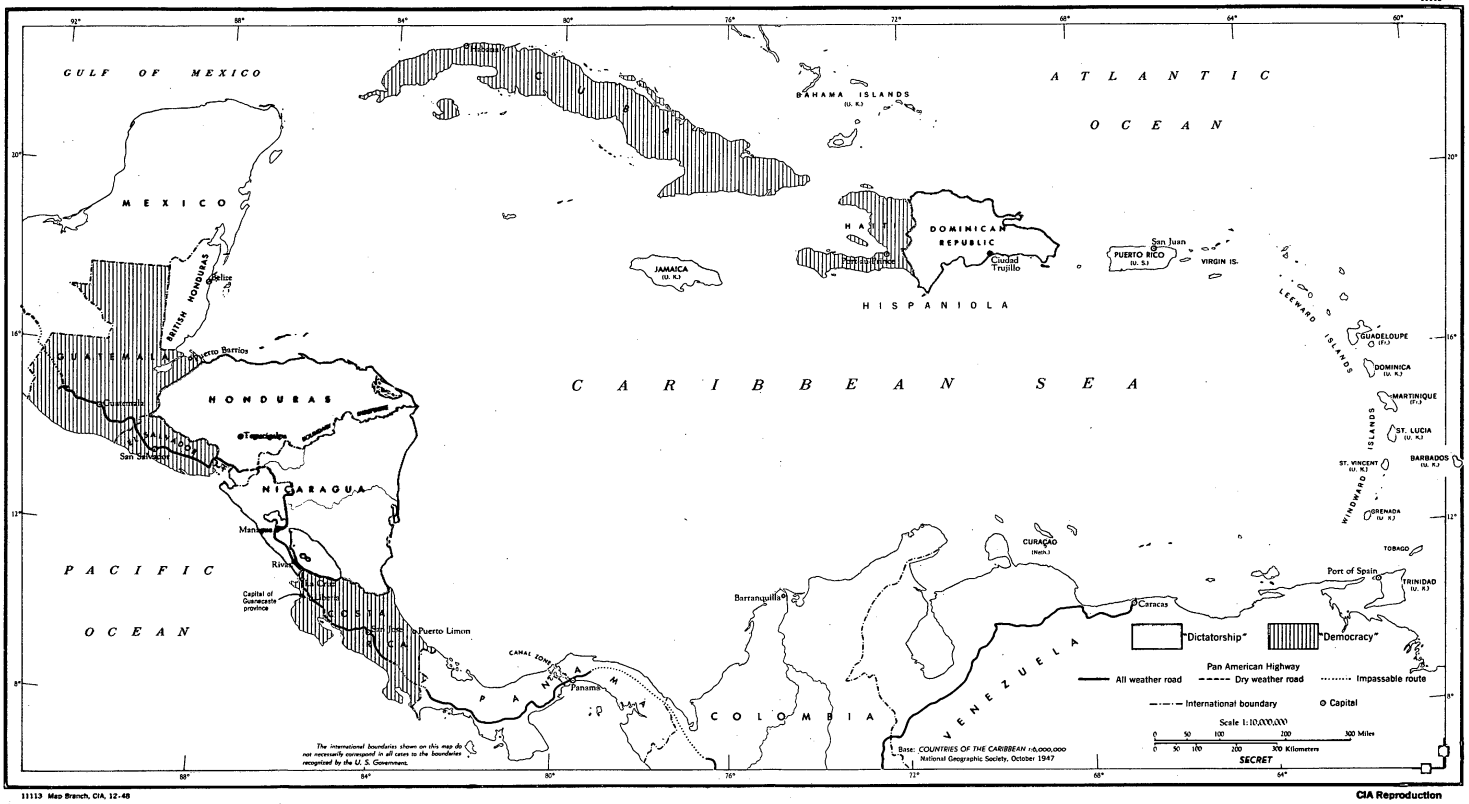

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CHINA

be entirely consistent with Chinese diplomatic traditions which are characterized by government efforts to shift responsibilities into the international field in order to profit from the rivalries of the various foreign nations having strong interests in China.

KOREA

Border incidents A marked increase in border incidents and guerrilla raids into South Korean territory will probably follow the complete evacuation of Soviet troops now leaving North Korea. Although a series of such incidents may lead to a South Korean request for a UN commission to investigate border conditions, there is little likelihood that such a UN commission could operate effectively. Moreover, the new UN Commission on Korea will probably be rebuffed by the North Korean People's Republic. The USSR is prepared to announce full withdrawal of all its troops within the next few days, leaving the UN Commission on Korea confronted with a hostile North Korean government, which has already announced that it considers the UN Commission on Korea an illegal body.

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WESTERN HEMISPHERE

Communist Congress The Communist-sponsored "Congress for Peace and Democracy," scheduled to be held in Mexico City in January, is the first organized response in the Western Hemisphere to the call for such congresses issued in August 1948 by the Soviet-oriented World Congress of Intellectuals. The Latin American Communists plan to camouflage their control of the Mexico City Congress behind an impressive facade of non-Communist intellectuals, left-wing political leaders and labor officials, and are making a special effort to secure good representation from Canada and the US. Latin American Communists hope to counteract their loss of influence over labor by using the "movement for peace and democracy" as an additional mechanism for extending Communist propaganda against US-British "imperialism." Communist plans call for placing small cells ("committees for peace and democracy") within non-Communist labor unions and other local groups. These Communist projects may well be connected with a major Communist objective--the denial of oil to the US and the UK in the event of a war with the Soviet Union. The relationship of the impending Congress to the world Communist movement is indicated by reports that: (1) the Czechoslovak ambassador in Paris consulted with Argentine Communists in preparing for the Congress; (2) the Czechoslovak ambassador and an Argentine Communist leader laid the groundwork for the meeting in secret discussions at the 1947 UNESCO Conference in Mexico; and (3) a Buenos Aires editor is on his way to Mexico with $12,000 for pre-Congress activity.

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CENTRAL AMERICA-CARIBBEAN AREA

Tension Increases Increasing rivalry between the two contending groups of powers in the Central American-Caribbean area will increase inter-governmental tension. Moreover, the failure thus far of the Council of the Organization of American States to resolve existing Costa Rican-Nicaraguan difficulties may result in more widespread fighting and bloodshed.

Balance of Power Recent events in Costa Rica, El Salvador, and Guatemala now point to a shift in the Caribbean power balance in favor of the "democracies" (Guatemala, Costa Rica, Haiti, Cuba, and El Salvador) as opposed to the "dictatorships" (the Dominican Republic, Nicaragua, and Honduras). The invasion of Costa Rica by armed exiles aided and abetted by the Nicaraguan dictator Somoza has failed to achieve its two main objectives: (1) to capture the provincial Costa Rican capital of Liberia; and (2) to touch off uprisings against the Costa Rican Government designed to install a pro-"dictator" regime. On the contrary, the Costa Rican Government remains stable and the invasion has probably forced it into closer association with Nicaraguan revolutionaries in the Caribbean Legion, which reportedly plans an attack on Nicaragua around 1 January.

Anti-Somoza Forces Somoza's reduced prestige in Nicaragua may encourage his enemies in neighboring countries to more hostile action. Anti-Somoza forces have already gained ground in El Salvador and Guatemala. The government of El Salvador--heretofore "benevolently neutral" toward Nicaragua--was recently ousted by a junta of young army officers who may align their country on the side of Guatemala and Costa Rica against Somoza. The Guatemalan Government, recently threatened from within by factious army groups, appears to have weathered the crisis.

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If it succeeds in re-consolidating its position, Guatemala can soon be expected to increase its support of the Caribbean Legion and again pursue a vigorous anti-Somoza policy.

"Dictatorships" In regard to the other "dictatorships" in the area, Somoza will unquestionably retain the support of the present Honduran Government. Although Dictator Trujillo in the Dominican Republic has both the materiel and money with which to redress the Central American power balance in favor of the "dictatorships," he may no longer continue to regard the Somoza regime as a good risk.

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